

Fid Mor Mortgage Investors Corp.  
(Hamilton, Ont.)

AR44

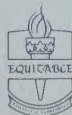
ANNUAL REPORT/1976



*hll*



**FIDELITY | EQUITABLE**  
**MORTGAGE TRUST**  
CANADIAN OWNED COMPANIES





**FIDELITY  
MORTGAGE  
& SAVINGS  
CORPORATION**

THE  
**EQUITABLE**  
TRUST COMPANY

## **ANNUAL REPORT · 1976**

### **HEAD OFFICE**

Sixteenth Floor,  
Fidelity-Equitable Trust Tower,  
One James Street South, Hamilton, Canada

### **EXECUTIVE OFFICES**

Second Floor,  
Fidelity-Equitable Trust Tower  
One James Street South, Hamilton, Canada

### **BRANCHES**

#### **HAMILTON:**

Fidelity-Equitable Trust Tower, 2 King Street East	-	-	-	-	H. B. Fullerton, Manager
Undermount Bldg., 143 James Street South	-	-	-	-	Mrs. D. C. Dixon, Manager

#### **BURLINGTON:**

502 Brant Street at Caroline	-	-	-	-	R. J. Rumble, Manager
------------------------------	---	---	---	---	-----------------------

#### **BRANTFORD:**

28 Market Street at Dalhousie	-	-	-	-	O. Risebrough, Manager
-------------------------------	---	---	---	---	------------------------

#### **GUELPH:**

54 St. George's Square	-	-	-	-	J. H. A. Myles, Manager
------------------------	---	---	---	---	-------------------------

#### **TORONTO:**

360 Bay Street	-	-	-	-	D. Jacobs, Loan Officer
----------------	---	---	---	---	-------------------------

Donald J. Usselman  
Supervisor, Savings and Branches





## OFFICERS AND DIRECTORS

### OFFICERS\*\*

President	-	-	-	-	-	-	SAM FOSTER ROSS, Q.C.
Vice-President	-	-	-	-	-	-	WILLIAM VANALEN HOLTON
General Manager	-	-	-	-	-	-	WILLIAM ALAN MUIR, C.A.
Assistant General Manager, Mortgage and Property Investments	-	-	-	-	-	-	FRED SMYTH PAUL
Assistant General Manager, Branches and Administrative Services	-	-	-	-	-	-	JAMES NEIL WALTON
Assistant General Manager, Trust and Personal Services	-	-	-	-	-	-	CHARLES ANDREW GUNN
Treasurer	-	-	-	-	-	-	ALAN JAMES SEAGO, C.A.
Secretary	-	-	-	-	-	-	HUGH STRATHEARN HENDRIE
Assistant Secretary	-	-	-	-	-	-	JAMES GRIBBEN MILLIGAN

### DIRECTORS\*\*

*FRANK WILTON BAILLIE	-	-	-	-	-	-	Oakville
President / Lawrence Motors (Davenport) Limited							
W. ALLAN CAMPBELL, Q.C.	-	-	-	-	-	-	Oakville
Partner / Hamilton, Torrance							
† J. IAN CROOKSTON	-	-	-	-	-	-	Toronto
Chairman of the Board / Nesbitt, Thomson and Company Limited							
† DONALD EDWARD DUNN, C.A.	-	-	-	-	-	-	Montreal
Vice-President — Finance / Henry Birks & Sons Ltd.							
HUGH STRATHEARN HENDRIE	-	-	-	-	-	-	Burlington
Vice-President—Mortgages / Wenagara Corporation Limited							
†*WILLIAM VANALEN HOLTON	-	-	-	-	-	-	Burlington
Chairman of the Board / Glendale Spinning Mills Limited							
JAMES ROBERT ALEXANDER LANGS	-	-	-	-	-	-	Hamilton
President / Long Credon Holdings Limited							
WILLIAM ALAN MUIR, C.A.	-	-	-	-	-	-	Hamilton
General Manager							
STEWART PHILP	-	-	-	-	-	-	Hamilton
President / Philpco Investments Limited							
*MURRAY PROCTOR	-	-	-	-	-	-	Hamilton
President / Murray Proctor Industries Limited							
ANDREWS FOSTER ROSS	-	-	-	-	-	-	Hamilton
Vice-President and Secretary / Fidelity Management Limited							
†*SAM FOSTER ROSS, Q.C.	-	-	-	-	-	-	Dundas
Partner / Ross & McBride							
HENRY GEORGE THODE, C.C., Ph.D., F.R.S.	-	-	-	-	-	-	Lynden
Professor of Chemistry / McMaster University							
*ROBERT THOMSON	-	-	-	-	-	-	Montreal
Financial Consultant							
HENRY JAMES MICHAEL WATSON	-	-	-	-	-	-	Hamilton
Comptroller / The Steel Company of Canada, Limited							

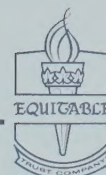
\*Member of Executive Committee

†Member of Audit Committee

\*\*The officers and directors of Fidelity Mortgage and Savings Corporation and The Equitable Trust Company are the same persons.

## FINANCIAL HIGHLIGHTS

for the year ended December 31, 1976



	1976	1975
Assets Owned .....	\$105,311,234	\$ 85,679,957
Estates, Trusts and Agencies Under Administration .....	26,472,523	18,987,606
Total Assets .....	131,783,757	104,667,563
Cash and Securities .....	15,470,340	9,531,045
Mortgages .....	80,183,389	71,279,018
Deposits, Debentures and Guaranteed Investment Certificates .....	96,356,388	79,873,288
Operating Income Before Income Taxes .....	728,800	548,128
Provision for Income Taxes .....	264,400	252,900
Net Operating Income .....	464,400	295,228
Net Operating Income — Common Shares .....	321,771	294,564
Net Operating Income — Per Common Share .....	\$ .46	\$ .42
Gain (Loss) on Sale of Investments .....	(3,483)	20,341
Net Income .....	459,953	314,905
Net Income — Common Shares .....	318,288	314,905
Net Income — Per Common Share .....	\$ .45	\$ .45
Dividends — Preference Shares .....	141,665	—
Dividends — Common Shares .....	155,571	155,540
Dividends — Per Preference Share .....	\$1.77	—
Dividends — Per Common Share .....	\$ .22	\$ .22
Shareholders Equity .....	6,228,252	4,170,565

FIDELITY MORTGAGE AND EQUITABLE TRUST WERE FEDERALLY INCORPORATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA AND BY LETTERS PATENT RESPECTIVELY, AND EACH IS LICENSED BY THE MINISTER OF FINANCE AND IS UNDER FEDERAL SUPERVISION.

BOTH FIDELITY MORTGAGE AND EQUITABLE TRUST ARE MEMBERS OF THE CANADA DEPOSIT INSURANCE CORPORATION.





It is with pleasure that we submit for your information and consideration our Annual Report for 1976, including the consolidated audited financial statements of Fidelity Mortgage and its Subsidiaries, The Equitable Trust Company and Fidelity Real Estate Holdings Limited.

### Results of Operations and Net Income

During the final 6 months of the year we were plagued with periodic fluctuations in interest rates which made it difficult to control our interest spreads. In the result, however, we were able to increase our annual earnings to a reasonable degree.

After deducting all normal expenses and costs (including depreciation and amortization) our consolidated operating income before income taxes for 1976 amounted to \$728,800 which compares with \$548,128 for 1975, an increase of approximately 33% for the year. Deductions for income tax (\$264,400), minority interest in The Equitable Trust Co. (\$964) and net loss on sales of investments (\$3,483), provided a net income for the year of \$459,953, which compares with \$314,905 for 1975. Provision for the Preference Share dividend for the year resulted in \$318,288 available for the Common Shares.

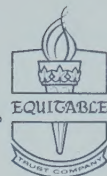
### Asset Growth

Our assets as at 31st December 1976 (not including estates, trusts and agencies) amounted to approximately \$105.3 million, which represents a satisfactory increase of approximately 22.8% for the year. Total assets, including estates, trusts and agencies, showed a 26% increase to approximately \$131.8 million (31st December 1975 — \$104.7 million).

### Preference Share Issue

During the year we successfully completed a \$2,000,000 issue of 80,000 10% Cumulative Redeemable Convertible Preference Shares, Series A with a par value of \$25 each, which were sold through our underwriters to the public at par. This additional capital will assist us in maintaining our asset and profit growth.

Following the Series A Preference Share issue, Special General Meetings of the Common and Series A Preference Shareholders were held separately, at which Resolutions previously passed by the Directors, authorizing the Company to apply for Letters Patent amending the Company's Charter so as to include a restriction in the number of shares which may be recorded in the name of and voted by any shareholder, were approved and confirmed. The general effect of such amendment is to limit the number of shares held by any one person or group of persons to 15% of the issued shares of our Company except with respect to holdings by any person or group of persons who on the prescribed day (1st March 1976) held in excess of 15% of the issued shares of our Company. Such persons or group of persons are allowed to maintain but not to increase the percentage of the issued shares of our Company held by them on the



prescribed day. A person is defined as including a corporation. Other companies in our industry have made similar amendments to their Charters.

### **Analyses of Investments and Debenture and Guaranteed Investment Certificate Maturities**

As in previous years and in accordance with our established policy, our Annual Report again contains analyses of our investments and debenture and guaranteed investment certificate maturities prepared and reported upon by our auditors. These audited analyses are set forth in detail on pages 14 to 17 of this report.

### **Deposits, Debentures and Guaranteed Investment Certificates**

Demand and short term deposits by the public increased during the year by approximately 33% to \$29.6 million and the amount of our outstanding debentures and guaranteed investment certificates increased approximately 15.6% to \$66.8 million. Taken together, the increase in our borrowings by way of deposits, debentures and G.I.C.'s during the year was approximately 20.6% to \$96.4 million.

### **Mortgage Portfolio**

Our mortgage portfolio showed a net increase for the year of approximately 12% and continues in excellent condition. During the year mortgage interest rates decreased for the first three months but thereafter rose steadily into October at which time rates began to soften. Since that time to the date hereof we have experienced three general decreases in interest rates, each for one-half percentage point. In each case the decreases have resulted in lower borrowing and lending rates which is beneficial to both the public and our industry. At the moment there are indications, at least throughout North America, that interest rates might be at the start of a gradual long term decline as indicated by long term interest charts. It is difficult in any short period of time to determine with certainty that a permanent down-turn trend in interest rates has taken place, particularly because of spasmodic interferences which arise from ad hoc legislation enacted to cure specific economic problems. However there are many signs that a long-term downward trend has probably begun.

A five year comparative percentage breakdown of our mortgage portfolio with respect to class of security and aggregate loan amounts, numbers of loans, average sizes of loans and portfolio yield is as follows:

<b>Class of Security</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>
Single family dwelling ....	60.9%	62.4%	61.4%	59.0%	59.8%
Multiple dwellings .....	31.2%	27.8%	29.1%	29.1%	27.4%
Commercial and Industrial ..	7.9%	9.8%	9.5%	11.9%	12.8%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>





Number of loans .....	1,776	2,119	2,190	2,149	2,208
Average size of loan .....	\$23,131	\$26,257	\$29,503	\$32,932	\$36,030
Portfolio yield .....	9.72%	9.49%	9.81%	10.08%	10.58%

### Results of The Equitable Trust Company for 1976

We are pleased to report that the operations of the Equitable Trust Company for 1976 again provided an increased operating income before taxes (\$264,936 for 1976 compared to \$179,836 for 1975) and an increased net income after taxes and all other charges (\$130,468 for 1976 compared to \$89,837 for 1975). These results are included in our consolidated financial statements.

In November of 1976 Charles Andrew Gunn joined our senior management group. Mr. Gunn has in excess of 15 years continuous experience in the trust industry, latterly in charge of the head office trust operations of a major trust company in the City of Toronto. In addition we have added additional personnel in the estate and agency operations and look forward to a more rapid expansion in these areas as well as an increased contribution to the overall profits of Equitable Trust.

### Senior Management Appointments

In December we were pleased to formally announce the following promotions and appointments of the following senior management personnel:

WILLIAM ALAN MUIR, C.A., who joined the Company in 1967 as Comptroller of the Company and who progressed thereafter through various promotions to Treasurer and Assistant General Manager, was appointed General Manager of the Company.

FRED SMYTH PAUL who was the first management employee of our Company, having entered our employ as Mortgage Manager in the fall of 1963, and who progressed thereafter through various promotions to Mortgage Superintendent, was appointed Assistant General Manager, Mortgage and Property Investments.

JAMES NEIL WALTON who was appointed Manager of our first Savings Office in August 1964, and who progressed thereafter through various promotions to Superintendent, Savings and Branches, was appointed Assistant General Manager, Branches and Administrative Services.

CHARLES ANDREW GUNN upon joining our Company was appointed Assistant General Manager, Trust and Personal Services.

ALAN JAMES SEAGO, C.A. who joined our Company as Comptroller in the year 1971 was appointed Treasurer.

W. RICHARD ZIEMSKI, C.A. is joining our Company this month as Assistant Comptroller.

DONALD J. USSELMAN who joined our Company in 1964 and who opened our Brantford Branch Office in 1965 and was Manager until 1975, was moved to Head Office and appointed Supervisor, Savings and Branches.





We have assembled an excellent management group most of whom have worked together in our Company's operations for a good number of years. We are hopeful that the positions which they now occupy and the authority and discretionary power provided to them in such positions will provide to our Company a better balanced and more effective management.

### **Fidelity - Equitable Trust Tower**

Last year in our report we stated that a strenuous effort would be made in 1976 to obtain full tenancy occupancy of our 15 storey office tower. I am pleased to report that our target was reached during 1976 and that all rentable space in the tower is under lease. We are also pleased to be able to report that the calibre of tenant in the office tower is first class in all respects and we plan to maintain this policy over the years. The permanent capital investment in the Tower by Ontario Equities Limited (the owner of the tower and an equal joint investment by our Company with Henry Birks & Sons Limited) has been settled and is now in place. We are pleased to report that commencing with the year 1977 such investment will produce sufficient profits to provide a reasonable annual return to its shareholders. Such return should increase steadily over the years. We and our partner are pleased with our investment and are confident that it will be an eminently satisfactory one into the future.

### **Fidelity Real Estate Holdings Limited**

The land under Fidelity - Equitable Trust Tower is owned by our Company through this subsidiary, subject to a long-term ground lease to Ontario Equities Limited and is producing a good return on our investment. This return should increase over the years as the amount of rent payable is recast from time to time over the term of the ground lease based on the increasing value of the land. The Company temporarily holds for this subsidiary certain other lands for development in the Burlington area and we expect that part of such lands will be developed during 1977.

### **Dividends**

The Directors authorized an increase of one cent per share in respect of the extra dividend payable in January of this year. It appears that the Anti-Inflation Board will possibly dismember itself during 1977 and in any event will probably relax its restrictions on dividend increases. If we conclude that we are on the way to a satisfactory increase in profits for the year, your Directors will give careful consideration to an increase in the dividends payable on our common shares for the year.

### **Outlook for 1977**

We have referred in this report to the assembling of an excellent management group of executives. They have been given, and we are encouraging them to use ample authority and discretionary power within the positions which they



hold in our Company's operations. Your Directors feel that these responsibilities will be well used and will result in favourable and healthy advances in assets and profits in 1977 and in the years ahead.

As previously mentioned in this report we are hopeful that interest rates will continue downward or at least remain at their present levels for the balance of the year. If this takes place, we can properly anticipate that this year will provide a stability for our operations which has not existed for some years. If there be a disappearance or reduction in the activity of the Anti-Inflation Board and its measures, such stability will be enhanced. Based upon a cautious assumption of such stability, and a superior performance by our management group, we look forward to a healthy increase in our profits for the year.

The trust and mortgage industry is justifiably concerned about the proposed amendments which are being put forward by the Department of Consumer and Corporate Affairs by which five year mortgage loans made with funds borrowed by our industry, for the most part on terms of five years, will be payable at the option of the borrower in whole or in part, during the final three or four years of the term of the mortgage. Needless to say, this one-sided proposal does not make good business sense and is in our opinion not only unfair, but could fracture badly a long-standing relationship between our industry and the purchasers of our debentures and guaranteed investment certificates and our mortgagors. It is to be hoped that this proposed legislation will not be enacted in accordance with the terms proposed.

It is only fit and proper that mention be made of the problems which exist as a result of the recent Quebec Provincial Election and the proposals for separation resulting therefrom. The need of our nation, Canada, for strong, sensible and just leadership based on an integrity which is believed in, accepted and understood by all Canadians, has never been as great since Confederation.

In conclusion, I again publicly acknowledge the tireless, faithful and capable assistance and effort so cheerfully contributed by all employees of the Company during the past year.

Yours faithfully,

On Behalf of the Board,  
3rd February 1977,  
Hamilton, Canada.

SAM FOSTER ROSS,  
President.

**CONSOLIDATED STATEMENT OF INCOME**

for the year ended December 31, 1976



INCOME:	1976	1975
Investments—Mortgages and other loans .....	\$ 8,133,056	\$ 6,952,533
—Securities .....	1,204,609	722,230
Fees and commissions .....	87,144	82,384
Other .....	148,018	119,156
	<u>9,572,827</u>	<u>7,876,303</u>
EXPENSE:		
Interest on deposits .....	7,220,524	5,958,002
Salaries and staff benefits .....	819,160	677,280
Depreciation and amortization .....	28,350	26,345
Other .....	775,993	666,548
	<u>8,844,027</u>	<u>7,328,175</u>
OPERATING INCOME BEFORE INCOME TAXES .....	<u>728,800</u>	<u>548,128</u>
PROVISION FOR INCOME TAXES:		
Current .....	129,200	211,500
Future .....	135,200	41,400
	<u>264,400</u>	<u>252,900</u>
NET OPERATING INCOME .....	<u>464,400</u>	<u>295,228</u>
Net Gain (Loss) on Sale of Investments after Applicable Income Taxes .....	(3,483)	20,341
NET INCOME before minority interest .....	<u>460,917</u>	<u>315,569</u>
Minority interest in net income of subsidiary .....	<u>964</u>	<u>664</u>
NET INCOME FOR THE YEAR (Note 3) .....	<u>\$ 459,953</u>	<u>\$ 314,905</u>





# CONSOLIDATED BALANCE

## ASSETS

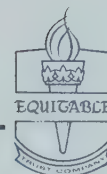
	1976	1975
Cash and demand deposits .....	\$ 7,945,095	\$ 4,773,302
Securities—at cost		
Bonds (Market: 1976—\$1,779,101; 1975—\$1,708,573) .....	1,880,120	1,911,736
Short-term notes .....	2,325,501	1,556,685
Stocks (Market: 1976—\$3,443,463; 1975—\$1,296,363) .....	3,319,624	1,289,322
	<u>7,525,245</u>	<u>4,757,743</u>
Loans		
Demand loans .....	7,528,794	3,155,212
Mortgages .....	80,183,389	71,279,018
	<u>87,712,183</u>	<u>74,434,230</u>
Investment in corporate joint venture (Note 1) .....	100,200	102,500
Investments in real estate — at cost .....	875,806	789,643
Other assets — at cost .....	<u>923,810</u>	<u>618,900</u>
Fixed assets—at cost, less accumulated depreciation and amortization .....	228,895	203,639
	<u>\$105,311,234</u>	<u>\$85,679,957</u>

We hereby certify that to the best of our knowledge and belief the consolidated balance sheet at December 31, 1976 and the accompanying consolidated statements of income, general reserve and retained earnings for the year then ended are correct and show truly and clearly the financial condition of the companies' affairs and the results of their operations.

S. F. ROSS  
W. V. HOLTON  
H. S. HENDRIE

President  
Vice-President  
Secretary

} Directors



# LIABILITIES

	1976	1975
Demand .....	\$18,030,799	\$18,132,771
Deposit receipts .....	11,568,123	4,015,739
Debentures and Guaranteed Investment Certificates .....	66,757,466	57,724,778
	<u>96,356,388</u>	<u>79,873,288</u>
Other liabilities		
Unadvanced portions of mortgages .....	1,425,963	725,742
Income taxes payable .....	74,825	55,238
Other .....	599,665	365,147
	<u>2,100,453</u>	<u>1,146,127</u>
Minority interest in net assets of consolidated subsidiary .....	10,410	9,446
Provision for future income taxes .....	<u>615,731</u>	<u>480,531</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 2)		
Authorized		
200,000 Cumulative, redeemable preference shares with a par value of \$25 each		
2,500,000 Common shares with a par value of \$4 each		
Issued		
80,000 10% Series A cumulative, redeemable, convertible preference shares .....	2,000,000	—
707,143 Common shares .....	<u>2,828,572</u>	<u>2,828,572</u>
	4,828,572	2,828,572
General Reserve .....	1,250,000	1,200,000
Retained Earnings .....	149,680	141,993
	<u>6,228,252</u>	<u>4,170,565</u>
	<u>\$105,311,234</u>	<u>\$85,679,957</u>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Fidelity Mortgage and Savings Corporation as at December 31, 1976 and the consolidated statements of income, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, January 17, 1977.

COOPERS & LYBRAND,  
Chartered Accountants



# **CONSOLIDATED STATEMENT OF GENERAL RESERVE AND RETAINED EARNINGS**

for the year ended December 31, 1976

	1976	1975
<b>GENERAL RESERVE:</b>		
Balance—Beginning of year .....	\$ 1,200,000	\$ 1,000,000
Appropriation from retained earnings .....	155,030	151,881
Premium received on issue of shares of the corporation (net) .....	—	48,119
	<u>1,355,030</u>	<u>1,200,000</u>
Cost of issuing preference shares after applicable income taxes (Note 2) .....	105,030	—
Balance—End of year .....	<u><u>\$ 1,250,000</u></u>	<u><u>\$ 1,200,000</u></u>
<b>RETAINED EARNINGS:</b>		
Balance—Beginning of year .....	\$ 141,993	\$ 134,509
Net income for the year .....	459,953	314,905
	<u>601,946</u>	<u>449,414</u>
Deduct: Dividends — Preferred .....	141,665	—
— Common .....	155,571	155,540
Appropriation to general reserve .....	155,030	151,881
	<u>452,266</u>	<u>307,421</u>
Balance—End of year .....	<u><u>\$ 149,680</u></u>	<u><u>\$ 141,993</u></u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **Principles of Consolidation**

These consolidated financial statements include the accounts of the company and its subsidiaries, The Equitable Trust Company which is 99.4% owned and Fidelity Real Estate Holdings Limited which is wholly-owned.

The investment in a corporate joint venture is accounted for on the equity basis. The company's share of the loss of the joint venture for the year is included with income from securities.

#### **Fixed Assets**

Fixed assets are stated at cost. Depreciation is provided for furniture and fixtures on a straight line basis over a period of eight years. Leasehold improvements are amortized over the remaining terms of the leases.

#### **Other Assets**

The company incurs certain charges which benefit more than one period. These amounts are included in other assets and are written off over an appropriate number of periods.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended December 31, 1976



### 2. CAPITAL STOCK

By Supplementary Letters Patent dated March 30, 1976, the issued and unissued authorized capital of the company was changed by increasing the number of the authorized shares of \$4 each from 1,250,000 to 2,500,000 and designating them as common shares and creating 200,000 cumulative, redeemable preference shares with a par value of \$25 each issuable in series.

During the year 80,000 of such preference shares were designated and classified as 10% Series A cumulative, redeemable, convertible preference shares and issued for cash. The cost of issuing such preference shares, after applicable income taxes, was charged to the general reserve.

The 10% Series A preference shares are redeemable after June 30, 1981 at par value plus a premium of \$1.50 per share reducing by \$.25 per share annually. Each 10% Series A preference share is convertible into 4 1/6 common shares to June 1, 1982 and 3 1/3 common shares thereafter to June 1, 1986.

### 3. EARNINGS PER SHARE

	1976	1975
Basic .....	\$ .45	\$ .45
Fully diluted .....	\$ .44	—

The earnings per share figures are calculated using the weighted daily average number of shares outstanding. Basic earnings per share is calculated after providing for preference share dividends. Fully diluted earnings per share is calculated assuming all preference shares have been converted to common.

### 4. GUARANTEED TRUST ACCOUNT

Included in total assets are assets held for the guaranteed trust account of \$21,308,395 (1975—\$16,626,123) securing the guaranteed trust liabilities of \$21,308,395 (1975—\$16,626,123).

### 5. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid or payable to the directors and officers during the year amounted to \$241,738 (1975—\$181,594).

### 6. LONG-TERM LEASE COMMITMENTS

Minimum annual commitments under leases of a duration of more than five years total \$136,398.

### 7. DIVIDEND RESTRICTION

The company is subject to the dividend restrictions of the Anti-Inflation Act.

### 8. SUBSEQUENT EVENT

Subsequent to December 31, 1976 the company invested an additional \$725,000 in the corporate joint venture.

### 9. COMPARATIVE FIGURES

Certain of the 1975 figures have been reclassified to conform with the 1976 financial statement presentation.



## CONSOLIDATED ANALYSIS OF INVESTMENTS

as at December 31, 1976

### CASH AND DEMAND DEPOSITS

Cash on hand and in the bank .....	\$ 788,440
Demand deposits with chartered banks .....	7,156,655
	<u>\$ 7,945,095</u>

### SECURITIES

				Cost (Including amortized discount)
<b>BONDS</b>	Mature in	Par	Market	
Government of Canada ....	1977	\$ 350,000	\$ 347,925	\$ 350,696
	1979	250,000	242,500	248,262
	1982	425,000	450,500	425,000
	Beyond 1986	75,000	62,375	74,128
		<u>1,100,000</u>	<u>1,103,300</u>	<u>1,098,086</u>
Canadian Provinces .....	Beyond 1986	325,000	265,563	323,876
Canadian Municipalities ....	1979	5,000	4,656	4,932
	1981 - 1986	10,000	8,326	9,142
		<u>15,000</u>	<u>12,982</u>	<u>14,074</u>
Canadian Corporations ....	Beyond 1986	400,000	352,505	399,333
		<u>1,840,000</u>	<u>1,734,350</u>	<u>1,835,369</u>
Accrued interest .....		44,751	44,751	44,751
		<u>\$1,884,751</u>	<u>\$1,779,101</u>	<u>\$1,880,120</u>

### SHORT-TERM NOTES

Short-term notes of Canadian Corporations and  
Financial Institutions

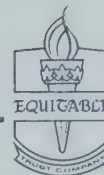
— Due January 7, 1977 .....	\$ 74,882
— Due January 12, 1977 .....	274,965
— Due January 13, 1977 .....	500,000
— Due January 13, 1977 .....	491,145
— Due January 19, 1977 .....	400,000
— Due May 1, 1977 .....	10,077
— Due June 29, 1977 .....	511,877
	<u>2,262,946</u>
Accrued interest .....	62,555
	<u>\$2,325,501</u>

### STOCKS

	Market	Cost
— Preferred .....	\$2,834,326	\$2,696,038
— Common .....	552,000	566,449
	<u>3,386,326</u>	<u>3,262,487</u>
Accrued Dividends .....	57,137	57,137
	<u>\$3,443,463</u>	<u>\$3,319,624</u>

**CONSOLIDATED ANALYSIS OF INVESTMENTS (continued)**

as at December 31, 1976

**LOANS****DEMAND LOANS**

Secured Loans to Investment Dealers .....	\$2,802,500
Secured Loans and Advances to Customers * .....	4,668,730
	<u>7,471,230</u>
Accrued interest .....	57,564
	<u>\$7,528,794</u>

\* As at December 31, 1976 there were three loans aggregating \$29,136 in default. These loans were fully secured by \$36,200 of Fidelity debentures.

Principal and interest payments on all other loans have been made as agreed upon.

**MORTGAGES****PRINCIPAL BALANCE AND YIELD**

2,208 loans with an average yield of 10.58%	
(December 31, 1975—10.08%) .....	\$79,553,830
Accrued interest .....	629,559
	<u>\$80,183,389</u>

**MATURITIES**

	Amount	Percentage
1977 .....	\$17,508,126	22.0
1978 .....	14,918,741	18.7
1979 .....	17,878,968	22.5
1980 .....	12,625,006	15.9
1981 .....	14,696,763	18.5
1982 - 1986 .....	1,233,144	1.5
Beyond 1986 .....	693,082	.9
	<u>\$79,553,830</u>	<u>100.0</u>





# CONSOLIDATED ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1976

## CLASS OF SECURITY

	Number of loans	Amount	Percentage
Single Family Dwellings			
Under \$10,000 .....	189	\$ 1,345,904	1.7
Between \$10,000 - \$20,000 .....	649	9,974,467	12.5
Between \$20,000 - \$40,000 .....	947	26,665,353	33.5
Over \$40,000 .....	170	9,614,495	12.1
	<u>1,955</u>	<u>47,600,219</u>	<u>59.8</u>
Multiple Dwellings			
Under \$50,000 .....	32	1,068,255	1.3
Between \$50,000 - \$100,000 .....	37	2,635,638	3.3
Between \$100,000 - \$200,000 .....	26	3,797,787	4.8
Over \$200,000 .....	37	14,325,023	18.0
	<u>132</u>	<u>21,826,703</u>	<u>27.4</u>
Commercial and Industrial			
Under \$50,000 .....	54	1,539,001	1.9
Between \$50,000 - \$100,000 .....	42	2,841,625	3.6
Between \$100,000 - \$200,000 .....	14	2,067,186	2.6
Over \$200,000 .....	11	3,679,096	4.7
	<u>121</u>	<u>10,126,908</u>	<u>12.8</u>
	<u>2,208</u>	<u>\$79,553,830</u>	<u>100.0</u>

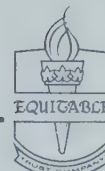
Average loan amount — \$36,030

## GEOGRAPHICAL LOCATION

	Number of loans	Amount
Hamilton and area .....	787	\$25,712,982
Brantford and area .....	356	10,455,946
Burlington and area .....	253	8,312,525
Guelph and area .....	231	10,104,115
Niagara Peninsula and area .....	165	6,778,571
Brampton - Oakville and area .....	126	6,024,768
Toronto and area .....	199	8,558,372
Georgian Bay and area .....	23	724,748
Simcoe and area .....	29	821,826
Caledonia and area .....	38	1,880,922
London and area .....	1	179,055
	<u>2208</u>	<u>\$79,553,830</u>

# CONSOLIDATED ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1976



## UNADVANCED PORTIONS OF LOANS

The aggregate sum of \$1,425,963 remains to be advanced in respect of forty-four loans.

## OUTSTANDING LOAN COMMITMENTS

A total of fifty-five loans having an aggregate principal amount of \$3,227,087 have been committed by the Companies on which no funds have been advanced.

## ADMINISTRATION

### Method of Payment:

Substantially all loans are repayable by combined monthly payments of principal, interest and taxes. The principal payments are based on fifteen to thirty year amortization plans, except for one loan which is amortized over thirty-five years.

### Taxes:

As at January 26, 1977, all taxes billed to cover taxes due up to and including December 31, 1976 have been paid on all properties secured by the loans.

### Delinquencies:

There are six mortgages under power of sale action.

As at January 26, 1977 all mortgage payments due up to and including December 31, 1976 have been received except for payments aggregating \$8,356 in respect of seven mortgages, including the mortgages under power of sale action.

## ANALYSIS OF DEBENTURE AND GUARANTEED INVESTMENT CERTIFICATE MATURITIES

	Amount	Percentage
1977 .....	\$15,328,253	24.4
1978 .....	13,882,433	22.1
1979 .....	10,441,374	16.6
1980 .....	9,181,041	14.6
1981 .....	13,993,030	22.3
Beyond 1981 .....	14,231	—
	<u>62,840,362</u>	<u>100.0</u>
Accrued interest .....	3,917,104	
	<u>\$66,757,466</u>	

## AUDITORS' REPORT

In our opinion, the foregoing analyses of investments and debenture and guaranteed investment certificate maturities are properly drawn up so as to present fairly the state of the Companies' investments and debenture and guaranteed investment certificate maturities as at December 31, 1976.

Hamilton, January 26, 1977

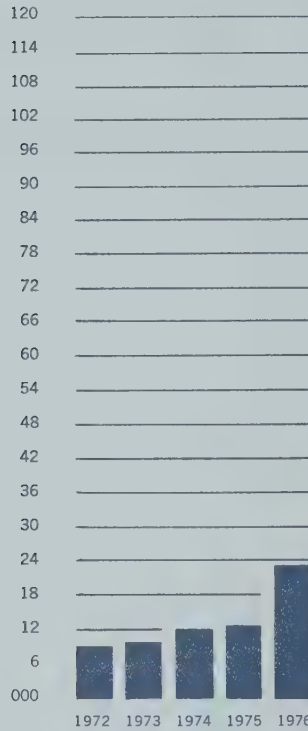
COOPERS & LYBRAND,  
Chartered Accountants



## FIVE YEAR SUMMARY

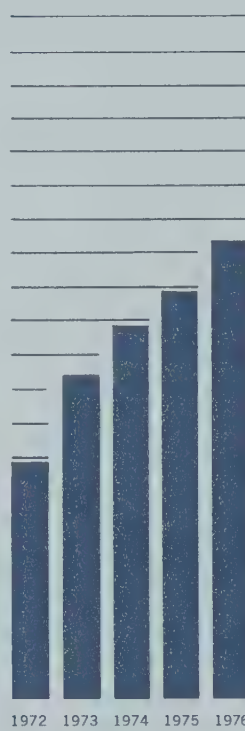
CASH, SECURITIES  
& DEMAND LOANS

MILLIONS OF DOLLARS



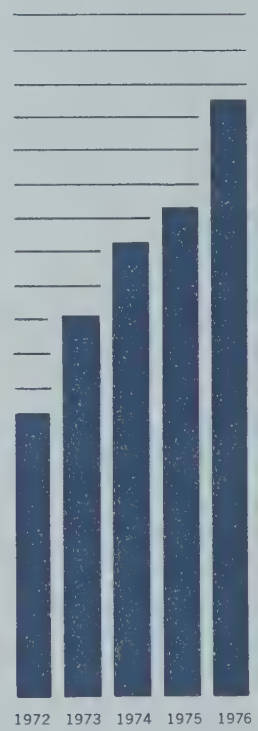
MORTGAGES

MILLIONS OF DOLLARS



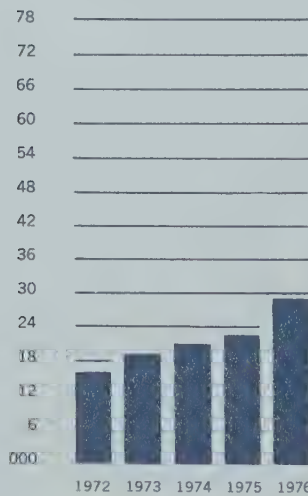
TOTAL ASSETS  
OWNED

MILLIONS OF DOLLARS



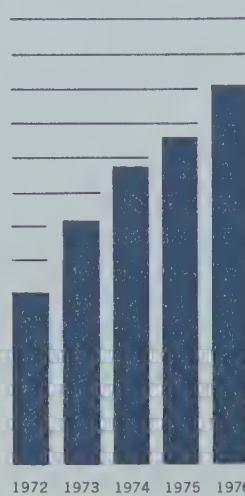
DEMAND DEPOSITS  
AND DEPOSIT RECEIPTS

MILLIONS OF DOLLARS



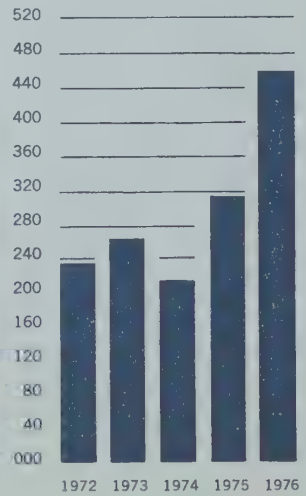
DEBENTURES AND  
GUARANTEED INVESTMENT  
CERTIFICATES

MILLIONS OF DOLLARS



NET INCOME  
AFTER TAXES

THOUSANDS OF DOLLARS







### SAVINGS ACCOUNTS

Interest is paid on savings accounts calculated on your minimum monthly balance and credited to your account each April 30th and October 31st. The Interest rate currently being paid may be ascertained by enquiry at any of the company's offices.

### CHEQUING ACCOUNTS

Interest is paid on all chequing accounts having a minimum half-yearly balance of \$500. No service charges are applied on accounts maintaining such balances. Monthly statements along with cancelled cheques are available to customers requiring them.

### CURRENT ACCOUNTS

Interest is paid on current accounts on the minimum half-yearly balance. Statements and cancelled cheques are available on the first business day of each month. Where adequate balances are maintained there is no charge for the issuance of cheques.

### DEBENTURES AND GUARANTEED INVESTMENT CERTIFICATES

Interest paid at competitive rates (presently up to 9%) on terms from 1 to 5 years. Minimum amount \$500. Interest is paid half-yearly or may be compounded and paid at maturity. Interest may also be paid monthly on amounts over \$5,000. Debentures and G.I.C.'s may be cashed at par in the event of the death of the holder, at the option of his or her personal representative.

### CONSUMER LOANS

Consumer loans are now available for customers of Fidelity and The Equitable who wish to purchase automobiles, furniture, etc. on the instalment purchase plan. Interest rates on these loans are competitive with other financial institutions offering this facility.

### TRUSTEE INVESTMENTS

Deposit Receipts, Debentures and G.I.C.'s are authorized Trustee investments. Trustees may open trust savings or trust chequing accounts with the Company for surplus funds.

### SAFETY DEPOSIT BOXES

These are available to our customers at reasonable rates and may be used for the safekeeping of securities, valuable documents or personal articles.



### FIRST MORTGAGE LOANS

First mortgage loans are readily available at current rates to assist in the purchase of your new home or for building, remodelling, refinancing or consolidation of outstanding debts.

### REAL ESTATE APPRAISALS

Our qualified appraisal staff is available to appraise your property for all purposes.

### REAL ESTATE SALES AND PURCHASES

The qualified staff of Fidelity Realty Limited is available to advise and assist in sales or purchases of residential properties and with respect to acquisitions and sales of commercial and realty investment properties.

### PROPERTY MANAGEMENT

Our management staff is available to manage your revenue producing properties.

### INVESTMENT MANAGEMENT ACCOUNTS

This is a service designed to assist in the care and management of your investments. With this service you will receive on a continuing basis the expert advice of our Investment Committee and this advice will be tailored to your needs and personal objectives.

### INVESTMENT CUSTODIANSHIP ACCOUNTS

This service is designed for those who wish to actively supervise their own investment portfolios but who also wish to relieve themselves of the record keeping and other routines entailed in an investment portfolio.

### TRUST SERVICES

- Estate planning
- Executor and Trustee under wills
- Administrator where there is no will
- Inter vivos trusts
- Registered Retirement Savings Plans
- Pension Funds administration
- Religious, Educational and Charitable Funds administration
- Registered Home Ownership Savings Plans
- Deferred Profit Sharing Plans

### SUNDRY SERVICES

Fidelity and The Equitable offer the many other financial and trust services available elsewhere including save-by mail facilities, travellers cheques, foreign remittances, money orders, etc.







Investment Certificates up to - 10¼%

Savings Accounts - - - - 8%

Chequing and Current Accounts - 4%

INTEREST RATES ARE SUBJECT TO  
CHANGE WITHOUT NOTICE.



MEMBER

CANADA DEPOSIT INSURANCE CORPORATION

H. B. FULLERTON, Manager

Undermount Bldg,  
143 James Street South, 525-1560  
MRS. D. C. DIXON, Assistant Manager

**BURLINGTON**

502 Brant Street at Caroline, 637-8205  
R. J. RUMBOLD, Manager

**BRANTFORD**

28 Market Street at Dalhousie, 752-4319  
O. RISEBROUGH, Manager

**GUELPH**

54 St. George's Square, 821-2190  
J. H. A. MYLES, Manager

**TORONTO**

Suite 400, 360 Bay Street, 868-0133



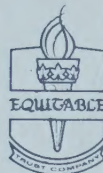
ONE JAMES ST. S.  
HAMILTON, CANADA  
L8P 4R5



METER OR  
COMPUTER  
568003



GLOBE & MAIL  
140 KING ST. W.  
TORONTO, ONT.  
ATT: THE EDITOR REPORT ON  
BUSINESS.



**FIDELITY**  
MORTGAGE

**EQUITABLE**  
TRUST

CANADIAN-OWNED COMPANIES



**CONDENSED FINANCIAL INFORMATION**

FOR THE SIX MONTHS ENDED

**30 JUNE, 1976**

## To Our Shareholders:

Included herewith is Condensed Financial Information (unaudited) in respect of the six-month period ended 30th June 1976, with comparative information for the same period of 1975.

During the first quarter of the year, interest rates were relatively stable, but the rising costs of our borrowed money for most of the second quarter made it difficult to maintain operating margins. This was overcome to some extent by increased volume of business during the quarter. The following table shows comparable results for net profits after taxes (after providing for dividends on preference shares, where relevant) for each of the two quarters and for the six-month periods of 1975 and 1976. The per share earnings are based on 707,143 issued and outstanding common shares for each period.

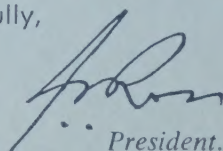
Period	1976		1975	
	Net Profit	Per Share	Net Profit	Per Share
First Quarter .....	\$ 73,509	\$ .10	\$ 44,676	\$ .06
Second Quarter .....	82,012	.12	70,019	.10
Six Months .....	<u>\$155,521</u>	<u>\$ .22</u>	<u>\$114,695</u>	<u>\$ .16</u>

As mentioned in our last quarterly report, an application was made to list the recently issued and sold 80,000 10%, cumulative, convertible, redeemable preference shares of the par value of \$25 each. This listing has been delayed for the time being inasmuch as the minimum requirement for 200 shareholders holding board lots has not yet been reached. This has resulted partly from the fact that the issue was over-subscribed and that there has been little trading since. In the meantime, the bid and asked prices for such preference shares are presently quoted firmly above the issue price.

We are pleased to report that the Directors declared a dividend of 5c per share for the second quarter of 1976, which was paid on 12th July to common shareholders of record at the close of business on 30th June, 1976.

Yours faithfully,

Hamilton, Canada  
23rd July 1976

  
President.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED OPERATING RESULTS	SIX MONTHS ENDED	
	30 JUNE, 1976	30 JUNE, 1975
Revenue .....	\$ 4,493,535	\$ 3,779,338
Expenses .....	4,183,185	3,542,373
Operating Profit .....	310,350	236,965
Provision for income taxes .....	113,165	122,270
<b>Net Profit</b> .....	<b>\$ 197,185</b>	<b>\$ 114,695</b>
Attributed to—Preference shares .....	\$ 41,664	\$ —
—Common shares .....	155,521	114,695
	<u>\$ 197,185</u>	<u>\$ 114,695</u>
CONSOLIDATED FINANCIAL POSITION AS AT	30 JUNE, 1976	
	30 JUNE, 1975	
Deposits, Debentures and Guaranteed Investment Certificates .....	\$ 90,197,355	\$ 79,628,193
Cash, bonds and other liquid assets .....	\$ 21,082,432	\$ 14,427,258
Mortgages .....	\$ 74,690,230	\$ 69,903,358
Capital and Reserves .....	\$ 6,758,491	\$ 4,507,241
<b>Total Assets Under Administration</b> .....	<b>\$121,990,800</b>	<b>\$103,243,320</b>